



April 7, 2017

Ms. Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Notice of *Ex Parte* Meetings

Re: *Ex Parte* Contact in Universal Service Contribution Methodology,
WC Docket 06-122

Dear Ms. Dortch:

On behalf of the Ad Hoc Telecommunications Users Committee ("Ad Hoc"), the undersigned, of Levine, Blaszak, Block & Boothby, LLP, and Susan M. Gately, of SMG Consulting LLC, met on April 6, 2017, in three separate meetings with Jay Schwarz, Acting Wireline Advisor to Chairman Pai; Amy Bender, Wireline Legal Advisor to Commissioner O'Rielly; and Claude Aiken, Wireline Legal Advisor to Commissioner Clyburn.

During each meeting we discussed reform of the USF contribution methodology, the options available to the Commission for changing the existing methodology, and Ad Hoc's continued support for adoption of a numbers-based system. Our discussions covered the material in the attached presentation.

Pursuant to the Commission's rules, this letter has been filed in the above referenced dockets. If you have any questions regarding this submission, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andrew M. Brown'.

Andrew M. Brown
Counsel, Ad Hoc Telecommunications Users
Committee

Cc:
Jay Schwarz
Amy Bender
Claude Aiken

Attachment



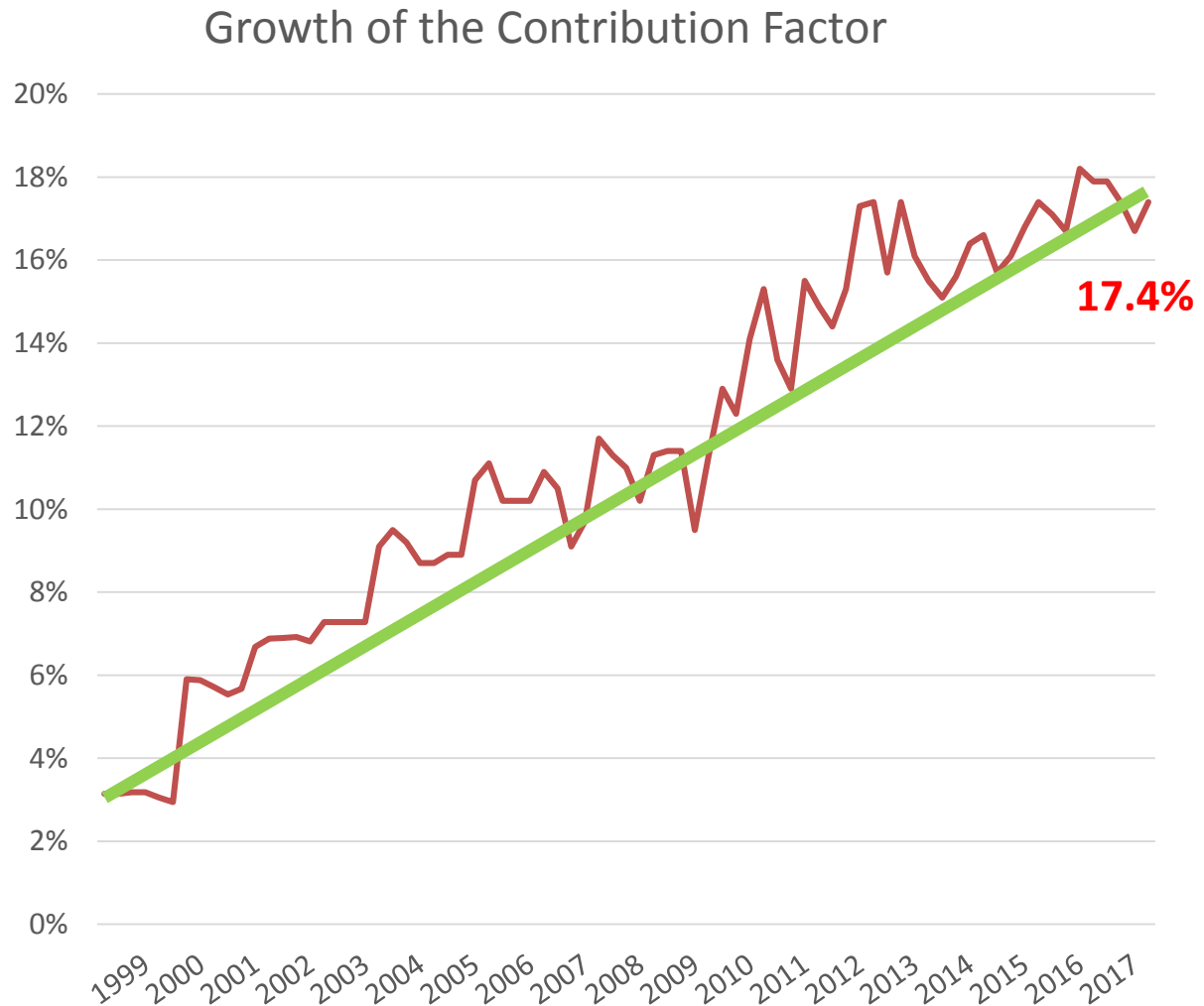
Ad Hoc Telecommunications Users Committee

Reform of USF Contribution Methodology

Ex Parte Meeting
April 6, 2017

USF Assessments Have Big Impact on Businesses

- End users ultimately pay the USF bill
- Short term: volatile and unpredictable
- Long term: burdensome and very predictable
- Without FCC reform, the factor will only continue to increase



The Current Contribution Methodology is Broken and Unsustainable

1998

2016

\$3.9B

Fund is INCREASING

\$8.8B

\$80B

Revenue base is SHRINKING

\$58B

Cost of Continued Inaction is Significant

- For every \$10M a business spends quarterly on telecom services, it must pay \$1.74M in assessments
- Expansion of E-Rate and Lifeline *plus* continued pressure on High Cost Fund “cap” will continue to push contribution factor higher
- Support for USF programs and goals will be seriously undermined by
 - Extraordinarily high contribution factor
 - Unfair and inequitable distribution of USF funding burden on business end users

No New Options for Reform

- Ad Hoc has been urging reform on this issue for 15+ years
- The options before the FCC have not changed (and are not going to change)
 - Numbers
 - Connections
 - Revenues (with a broadened base)
- All of them can work fine *if they are fairly implemented*, but numbers is still the best option
- If FCC doesn't assess broadband Internet access service, numbers is the *only* option

Ad Hoc's Position

- The FCC needs to fix the contribution methodology if it wants to maintain support for USF
- We will support any of the three options, but a new approach must treat all contributors fairly and equitably
 - No residual funding mechanism
 - No disparate application of methodology to businesses or business services (whether for high speed circuits, numbers, etc.)
- “Numbers” based methodology provides the most predictable, stable, and equitable funding mechanism



Next Steps Required

- FCC needs to refresh the record to get real data for the methodologies on the table
- If the Joint Board is going to develop a proposal, it needs to
 - Use the real data collected by the FCC above
 - Ensure that contributions are fairly and equitably distributed—
 - No discrimination
 - No residual funding mechanism
 - Actually develop a proposal through a transparent process then seek public comment
- Ad Hoc will work with other interested parties to promote any viable consensus proposal for the Commission to consider